

AMENDED IN SENATE AUGUST 28, 2007

AMENDED IN SENATE AUGUST 20, 2007

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AMENDED IN ASSEMBLY MAY 2, 2007

CALIFORNIA LEGISLATURE—2007–08 REGULAR SESSION

## **ASSEMBLY BILL**

**No. 1239**

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**Introduced by Assembly Member Garrick  
(Principal coauthor: Assembly Member Leno)  
(Coauthors: Assembly Members Jeffries, Karnette, and Ma)**

February 23, 2007

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An act to amend Section 74 of the Revenue and Taxation Code, relating to taxation, to take effect immediately, tax levy.

### LEGISLATIVE COUNSEL'S DIGEST

AB 1239, as amended, Garrick. Property taxation: exclusion from newly constructed: fire safety devices.

(1) The California Constitution generally limits ad valorem taxes on real property to 1% of the full cash value of that property. For purposes of this limitation, "full cash value" is defined as the assessor's valuation of real property as shown on the 1975–76 tax bill under "full cash value" or, thereafter, the appraised value of that real property when purchased, newly constructed, or a change in ownership has occurred. The California Constitution authorizes the Legislature to exclude from classification as "newly constructed" the construction or installation on or after November 7, 1984, of any fire sprinkler system, other fire extinguishing system, fire detection system, or fire-related egress improvement, as defined by the Legislature. Existing property tax law

implementing this exclusion provides that the exclusion only applies to the construction or installation of these items in an existing building.

This bill would provide that this exclusion from “newly constructed” also applies to the construction or installation, on and after the operative date of the bill, of any fire sprinkler system, other fire extinguishing system, or fire detection system in a new building. This bill would also specify, for purposes of this exclusion, that “the construction or installation of any fire sprinkler system, other fire extinguishing system, or fire detection system” includes the construction of any fire sprinkler system, other fire extinguishing system, or fire detection system in a new building, as defined, in which the owner-builder incorporated the fire sprinkler system, other fire extinguishing system, or fire detection system in the initial construction of the building and the owner-builder does not intend to occupy or use the building. This bill would provide this exclusion to the initial purchaser of the new building, but only if the owner-builder did not receive an exclusion for the same system *and the initial purchaser purchased the new building prior to that building becoming subject to reassessment to the owner-builder, as provided.* In the case of a new nonresidential building, this bill would specify that “fire sprinkler system, other fire extinguishing system, or fire detection system” does not include such items that are required by the California Fire Code to be included in the new building. This bill would require the county assessor to reduce the base-year value of these buildings by the value of such items, as specified. This bill would require the State Board of Equalization, in consultation with the California Assessor’s Association, to prescribe the manner and form for a taxpayer to claim this exclusion.

(2) By requiring county officials to implement new criteria regarding the fire safety device exclusion, this bill would impose a state-mandated local program.

The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement.

This bill would provide that, if the Commission on State Mandates determines that the bill contains costs mandated by the state, reimbursement for those costs shall be made pursuant to these statutory provisions.

(3) Section 2229 of the Revenue and Taxation Code requires the Legislature to reimburse local agencies annually for certain property

tax revenues lost as a result of any exemption or classification of property for purposes of ad valorem property taxation.

This bill would provide that, notwithstanding Section 2229 of the Revenue and Taxation Code, no appropriation is made and the state shall not reimburse local agencies for property tax revenues lost by them pursuant to the bill.

(4) This bill would take effect immediately as a tax levy.

Vote: majority. Appropriation: no. Fiscal committee: yes.  
State-mandated local program: yes.

*The people of the State of California do enact as follows:*

1 SECTION 1. Section 74 of the Revenue and Taxation Code is  
2 amended to read:

3 74. (a) For purposes of subdivision (a) of Section 2 of Article  
4 XIII A of the Constitution, “newly constructed” does not include  
5 the construction or installation of any fire sprinkler system, other  
6 fire extinguishing system, fire detection system, or fire-related  
7 egress improvement that is constructed or installed on or after  
8 November 7, 1984.

9 (b) Notwithstanding any other provision of this chapter or  
10 Chapter 3.5 (commencing with Section 75), neither “newly  
11 constructed” nor “new construction” includes the construction or  
12 installation of any fire sprinkler system, other fire extinguishing  
13 system, fire detection system, or fire-related egress improvement  
14 that is constructed or installed on or after November 7, 1984.

15 (c) For purposes of this section:

16 (1) “Fire sprinkler system” means any system intended to  
17 discharge water for the purpose of suppressing or extinguishing a  
18 fire, and includes a fire sprinkler system that derives its water from  
19 the domestic water supply of the building or structure of which it  
20 is a part.

21 (2) “Other fire extinguishing system” means any system intended  
22 to suppress or to extinguish a fire other than by discharging water  
23 upon the fire. An “other fire extinguishing system” includes, but  
24 is not limited to, a component or application that, solely or  
25 primarily for the purposes of fire suppression or extinguishment,  
26 is made part of the heating, ventilating, or air-conditioning system  
27 of a building or structure, a wet chemical system, or a dry chemical  
28 system.

(3) “Fire detection system” means any system or appliance intended to detect combustion, or the products thereof, and to activate an alarm or signal, whether audio, visual, or otherwise, including all equipment used to transmit fire alarm activations and related signals to a remote location. A fire detection system includes any system that serves additional functions, but this section shall only apply with respect to that portion of a system that is for fire detection purposes. No portion of a fire detection system as described in this paragraph shall be deemed to be personal property, or shall be deemed to be excluded from that fire detection system, by reason of being owned or controlled by a person other than the owner of property upon which the fire detection system was constructed or installed.

(4) “Fire-related egress improvement” means any improvement intended to do either of the following:

(A) Provide any new, or improve any existing, means of egress for individuals from a structure, or any portion thereof, in which a fire is in progress, as to which there is an imminent threat that a fire may soon be in progress, or as to which individuals therein might be subjected to health hazards or the risk of physical injury due to a fire elsewhere.

(B) With respect to individuals who for any reason cannot evacuate a structure in which a fire is in progress, provide a means of safeguarding, or increasing the safety of, those individuals until the time that the rescue of those individuals can be effected.

(5) “Existing building” means any building or structure already erected at the time that a fire sprinkler system, other fire extinguishing system, fire detection system, or fire-related egress improvement is constructed or installed in that building or structure.

(6) “Occupy or use” has the same meaning as defined in Section 75.12.

(d) Any system or improvement referred to in this section shall be deemed to have been constructed or installed on or after November 7, 1984, if the actual construction or installation thereof is completed on or after November 7, 1984, regardless of when the actual construction or installation thereof was commenced or any building permit pertaining thereto was issued.

(e) This section applies only to fire sprinkler systems, other fire extinguishing systems, fire detection systems, and fire-related

1 egress improvements, as defined in this section, that are constructed  
2 or installed in an existing building.

3 (f) (1) On and after the operative date of the act that added this  
4 subdivision, this section applies to fire sprinkler systems, other  
5 fire extinguishing systems, or fire detection systems that are  
6 constructed or installed in a new building that is completed on and  
7 after the operative date of the act that added this subdivision.

8 (2) For purposes of this subdivision, “the construction or  
9 installation of any fire sprinkler system, other fire extinguishing  
10 system, or fire detection system” includes the construction of any  
11 fire sprinkler system, other fire extinguishing system, or fire  
12 detection system incorporated by the owner-builder in the initial  
13 construction of a new building that the owner-builder does not  
14 intend to occupy or use. The exclusion from “newly constructed”  
15 provided by this paragraph applies to the initial purchaser who  
16 purchased the new building from the owner-builder, but only if  
17 the owner-builder did not receive an exclusion under this section  
18 for the same system *and only if the initial purchaser purchased*  
19 *the new building prior to that building becoming subject to*  
20 *reassessment to the owner-builder, as described in subdivision (d)*  
21 *of Section 75.12. The assessor shall administer this paragraph in*  
22 *the following manner:*

23 (A) The initial purchaser of the building shall file a claim with  
24 the assessor and provide to the assessor any documents necessary  
25 to identify the value attributable to the fire sprinkler system, other  
26 fire extinguishing system, or fire detection system included in the  
27 purchase price of the building.

28 (B) The assessor shall evaluate the claim and determine the  
29 portion of the purchase price that is attributable to the fire sprinkler  
30 system, other fire extinguishing system, or fire detection system.  
31 The assessor shall then reduce the new base-year value established  
32 as a result of the change in ownership of the building to reflect  
33 that portion of the value attributable to the fire sprinkler system,  
34 other fire extinguishing system, or fire detection system.

35 (3) For purposes of this subdivision, in the case of a new  
36 nonresidential building, “fire sprinkler system, other fire  
37 extinguishing system, or fire detection system” does not include  
38 a fire sprinkler system, other fire extinguishing system, or fire  
39 detection system that is required by the California Fire Code to be  
40 included in the new building.

1 (4) The extension of the new construction exclusion to the initial  
2 purchaser of a newly constructed new building shall remain in  
3 effect only until there is a subsequent change in ownership of the  
4 building.

5 (5) The State Board of Equalization, in consultation with the  
6 California Assessor's Association, shall prescribe the manner and  
7 form for claiming the new construction exclusions required by this  
8 subdivision.

9 (6) For purposes of this subdivision, "new building" means a  
10 building, structure, or portion of a building or structure that was  
11 not already erected before a fire sprinkler system, other fire  
12 extinguishing system, or fire detection system was constructed in  
13 that building or structure.

14 SEC. 2. Notwithstanding Section 2229 of the Revenue and  
15 Taxation Code, no appropriation is made by this act and the state  
16 shall not reimburse any local agency for any property tax revenues  
17 lost by it pursuant to this act.

18 SEC. 3. If the Commission on State Mandates determines that  
19 this act contains costs mandated by the state, reimbursement to  
20 local agencies and school districts for those costs shall be made  
21 pursuant to Part 7 (commencing with Section 17500) of Division  
22 4 of Title 2 of the Government Code.

23 SEC. 4. This act provides for a tax levy within the meaning of  
24 Article IV of the Constitution and shall go into immediate effect.